

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Friday 10 February 2023 at 9.30 am**

Present:

Councillor C Martin (Chair)

Members of the Committee:

Councillors E Adam, J Cosslett, B Coult, R Crute, J Elmer, O Gunn, P Heaviside, L Hovvells, J Howey, P Jopling, C Lines (Vice-Chair), R Manchester, A Reed, K Shaw, M Stead, A Surtees, D Sutton-Lloyd (substitute for A Jackson) and M Wilson

1 Apologies for Absence

Apologies for absence were received from Councillors J Charlton, I Cochrane, A Jackson and C Marshall.

2 Substitute Members

Councillor D Sutton-Lloyd substituted for Councillor A Jackson.

3 Minutes

The minutes of the meeting held on 23 January 2023 were agreed as a correct record and signed by the Chair, with the following amendment:

Item 6 Resolution - That the content of the draft Council Plan 2023-2027 (at Appendix 4 of the report) be considered and agreed.

4 Declarations of Interest

The Chair, Councillor C Martin declared an interest in relation to item 7 as his employer, Bishop Auckland College was referenced.

5 Report on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 - Quarter 3 - 2022/23

The Board considered a report of the Head of Legal and Democratic Services which informed Members of the Council's use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA) during the period 1 October 2022 to 31 December 2022 (for copy see file of minutes).

Resolved:

- (i) That the quarterly report on the Council's use of RIPA for the period covering quarter 3 2022/23, be received.
- (ii) That the powers were being used consistently with the Council's policy and that the policy remained fit for purpose.

6 Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24

The Board considered a report of the Corporate Director of Resources that provided the opportunity to comment upon Cabinet's proposals on the Medium Term Financial Plan (MTFP) 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24. The report to Cabinet sets out comprehensive financial information and reflects the balance required between short term and long term investment in front line services with the need for financial prudence and reasonable council tax increases (for copy see file of minutes).

The Head of Corporate Finance and Commercial Services informed Members that government had announced the final settlement on the 6 February 2023 and highlighted the key areas:-

- £19 million added to the services grant fund with Durham County Council receiving £203,000 - MTFP savings target will be £203,000 less than published in the Cabinet report;
- £10 million added to the rural services delivery grant fund, however Members were aware that Durham County Council do not qualify for the rural services delivery grant;
- £200 million added to the business rate retention programme for government to reallocate to local authorities. £100 million of the funds would be allocated to the current financial year with Durham County Council receiving approximately £1 million.

With reference to government grant allocations, the Head of Corporate Finance and Commercial Services advised that grant allocations had increase by £39.8 million in 2023/24 and forecasted £13.7 million in 2024/25. It was noted that local authorities lobbying had been considered and additional funding had been provided by government, however the councils base budget pressures way exceeded the extra funding that had been provided.

The Head of Corporate Finance and Commercial Services further highlighted in detail key issues from the Cabinet report which included:

- Local Government Finance Settlement;
- Council Tax and Council Tax Support Arrangements;
- Dedicated School Grant;
- Financial Reserves Strategy;
- Capital Programme Schemes.

Councillor R Crute thanked the team for the hard work in preparing the detailed budget report. He commented on concerns regarding possible public perception that people were paying more and receiving less. Additional funding had been received from government, however cuts were still being made to services and council tax had increased by record amounts even with government assistance schemes. He referred to previous years where additional funding had been received which had then been passed on to benefit the public with zero percent council tax increase. The Head of Corporate Finance and Commercial Services explained that every authority in the Country faced the same issue, with 10% inflation on costs and council tax increases. He added that most North East authorities were proposing the maximum council tax increase, along with the majority of other authorities across the Country. He acknowledged concerns with public perception, however noted the extra funding and the Council Tax Reduction Scheme were strengths for the council.

Councillor R Crute then referred to a motion presented to Council in January 2023 to examine alternative options to replace council tax. He added that Cabinet had also been asked to consider similar options in December 2021, however nothing had been reported back to the Board. He suggested that the Cabinet Portfolio Holder for Resources be invited to attend a future Corporate Overview and Scrutiny Management Board meeting to present proposals to replace council tax and explain what progress had been made since 2021. The Head of Corporate Finance and Commercial Services advised that if council tax was replaced, the position for the council would be neutral as there would be no additional funds from government.

The Chair proposed that the Motion from Councillor R Crute be considered under any other business to keep focus on budget discussions.

Responding to questions from Councillor Adam regarding the £70 million identified as a capital receipt from the sale of the new HQ and the feasibility of capital spending on levelling up bids that had previously failed, the Head of Corporate Finance and Commercial Services explained that the HQ was fully funded in previous years from an earmarked reserve and a small amount of prudential borrowing and the £70 million from the sale was a new capital receipt which would be used in the current capital programme. Regarding levelling up match funding, reserves had been allocated for feasibility studies on the basis that work undertaken would provide the best possible chance of success. Revenue funds were utilised so that costs would not have to be written off if the scheme failed and if successful, those costs could then be

moved into capital. It was noted that £3 million had been set aside for feasibility and only £1.2 million had been used, however bids in round three could still be successful.

Councillor E Adam noted the positives in the report and welcomed the Capital Investment Programme. He referred to new capital schemes and paragraph 223 of the report that stated significant capital investment would be required to enable the council to reach its net zero carbon target by 2030. He added that the decarbonisation of heat and transport were the main challenges and £100 million was needed to meet the 2030 target. It was acknowledged that significant progress had been made to reduce the councils carbon footprint, however it was not good enough to aim for 80% reduction and that plans must be in place to reduce emissions year by year up to 2030 and beyond. He asked if there were any opportunities identified to invest to save within the MTFP and requested a breakdown of the Neighbourhood and Climate Change net zero capital spend. He further questioned the expected reduction in carbon emissions relating to the actual spend, why there were no significant revenue and capital spends on overall heat decarbonisation and whether the capital spend identified to reduce transport and fleet emissions was sufficient to meet the 2030 target.

The Head of Corporate Finance and Commercial Services advised that the council had made enormous strides with regards to emission reduction and all opportunities for the Council to invest in fully self financing schemes had been made. The capital budget was used to match against government grants and the council could not afford the required investment to achieve net zero without enormous amounts of government support, however the council would continue to strive to meet the targets. He explained the two major areas relating to buildings and vehicles, the main issue with council buildings being boiler replacement mainly in leisure centres and schools which the council could not afford at the level that was required. It was noted that replacement boilers cost more to run thereby putting financial pressures on the schools and new buildings must meet the new energy standards. Referring to vehicles, he added that replacing smaller vans with electric has been cost neutral, however the cost to replace larger vehicles in the future would require a revenue budget uplift of around £8 million more than at present, which would result in service budgets being cut to meet the target. It was hoped that by 2027/2030 technology would catch up and purchases would not be as expensive. He was confident that the vehicle fleet would be replaced by the 2030 target, however, was unsure with regards to boiler replacements unless changes were made to government funding.

Responding to questions from Councillor B Coult regarding the welfare assistance top up, primary and secondary deprivation figures and the reduction in costs in relation to the boundary review, the Head of Corporate Finance and Commercial Services advised that significant reserve had been in place for welfare assistance which was running out and would be looked at

as part of the 2024/25 budget. Regarding savings from the boundary review, there were no savings in the current budget, however noted there may be savings in 2025/26 subject to members decisions in relation to members allowances. With reference to the query on people premium and the difference between primary and secondary deprivation figures, he would make enquiries and email Councillor B Coult following the meeting.

Councillor O Gunn expressed concern regarding the underfunding from government in the past 10 years and highlighted the cuts and efficiency savings that would affect residents across the county. She acknowledged the difficulties and highlighted in particular, the pressure on social care and looked after children and the effects that poverty and the cost of living crisis would have on families with support in this area being crucial. She asked for figures in relation to grant reductions for Durham County Council over the past 10 years and the impact on staffing levels due to cuts. The Head of Corporate Finance and Commercial Services advised that the overall reduction in grant funding had been estimated at £200 million with a loss of 3,000 employees. He added that the extra demand for looked after children in the past 4 years was a major concern. The budget was sufficient for the current levels in the care system, however, further increases would result in overspends. He added that significant investment had been planned with an extra £5 million added to the forecast for the next 3 years for additional social workers, fostering investment and preventative strategies.

Responding to a further question from Councillor O Gunn regarding the Rural Service Delivery Grant, the Head of Corporate Finance and Commercial Services made reference to the deprivation factors and the Fair Funding Review. He advised that certain criteria had to be met in relation to the Rural Service Grant and although large parts of County were rural, the council had missed out to other authorities that were more vastly rural in comparison.

Councillor A Surtees commented on the £246 million in cuts reported and highlighted that the reduction in council spending during 12 years of austerity was over £1.2 billion.

Councillor L Hovvels referred to concerns with regards to building assets and queried the costs associated with empty buildings. The Head of Corporate Finance and Commercial Services advised that the council were prudent with investments and had a good track record in investing capital to save, improving systems and generating income within the county. He added that the asset management strategy was being finalised which would address the issues raised and utilise buildings more effectively. A demolition budget had been included in the capital programme for buildings declared surplus so they could be demolished as soon as possible to reduce associated costs which was approximately £200,000 in the current year.

Councillor J Elmer noted that the majority of capital expenditure associated with carbon reduction related to boiler replacement, however he felt that the priority should be to tackle heat reduction by improving building insulation which would reduce carbon emissions and save on energy costs. He added that just replacing boilers would be ineffective as modern boilers were also dependent on well insulated buildings to be efficient.

Responding to a query from Councillor M Stead in relation to compulsory redundancies, the Head of Corporate Finance and Commercial Services advised that at the start of austerity, government capped council tax and the council lost millions in government grants which resulted in large reductions in the workforce with around £60 million spent on redundancy packages funded from reserves. He added that the council's strategy would continue to make every effort to avoid compulsory redundancies by retaining vacant posts where possible, seek voluntary ER/VR and maximise redeployment and growth opportunities. It was reported that £18.261 million of savings were required and it was expected that a reduction of 118 full time equivalents would be required across the four year period. It was noted that £10 million of reserves would be required to balance the budget for 23/24 and there would be a £10 million shortfall for 24/25 with no further funding from government. He was confident the council would balance the budget in 23/24, however there were uncertainties around inflation, energy costs, looked after children and other budget pressures the following 3 years.

The Chair noted that savings and cuts would not directly affect public facing services which was positive, however recognised there may be knock on effects and further reductions in the future. He added that the role of Scrutiny was to scrutinise and comment on Cabinet proposals to ensure minimum impact and would be requesting that Cabinet announce proposals early in order for scrutiny to have discussions.

Responding to a query from the Chair in relation to Treasury Management and the increase in cash investment, the Head of Corporate Finance and Commercial Services explained that high cash balances were due to reserves, receiving grants up front and capital programme slippage. There was £400 million in investment cash available which was the highest ever for the council with the same amount of future borrowing required to fund the capital programme. He advised that it would be prudent to edge the market and delay borrowing until interest rates come down which was anticipated in the next 18 months, however cash balances would drop significantly with capital spending, therefore it was forecasted that the council would need to start borrowing again in 2025 when interest rates were lower.

Resolved:

That the Board considered and noted the contents of the report and that comments received be forwarded to Council for consideration at its meeting on 22 February 2023.

7 Digital Inclusion in County Durham

The Board considered a report of the Corporate Director of Resources that presented findings and recommendations of a recent high-level review of digital inclusion in County Durham (for copy see file of minutes).

The Digital Durham Manager delivered a presentation which highlighted the following areas:-

- Research identifying groups more likely to be digitally excluded;
- How they are affected;
- Regional Statistics;
- Connectivity, Devices and Digital Skills;
- Digital Exclusion Risk;
- Affordability Factor;
- Baselining Activity;
- Discovery Summary and Conclusion;
- Digital Journey;
- Next Steps;
- Digital Skills Training and Adoption.

Councillor D Sutton-Lloyd welcomed the report and advised on a digital community project he started in his area which had helped over 2000 elderly residents with broadband set up, satellite work and digital skills. He suggested a joined-up approach with opportunities for new projects and links with other organisations and venues within communities. It was noted that there may be opportunities with regards to the Shared Prosperity Fund Programme and internet access in community venues were currently being explored.

Councillor E Adam acknowledged the need for online services and suggested a coordinated approach with schools and colleges to support those that were digitally excluded. He commented on the varied broadband quality and speeds and noted the five areas of digital exclusion with the key issue being affordable broadband. The Digital Durham Manager advised they are linking in with New College Durham and Bishop Auckland College to discuss student volunteering, with a view to brokering relationships with community organisations to support people's digital skills. She added that most households do not necessarily need to purchase the fastest broadband packages, which tend to be more expensive, and would not encourage people to purchase them unless they were actually required. She added that there would be more opportunity for more reliable connectivity, offering faster speeds, as full fibre technology advanced and replaced older technology.

At this point, the Chair declared an interest in relation to Bishop Auckland College being his employer.

Responding to queries from Councillor C Lines regarding broadband network and limitations around the voucher scheme. The Digital Durham Manager advised that government had introduced two initiatives under Project Gigabit that hard-to-reach properties in County Durham will benefit from which includes contracts and a revised voucher scheme. Three contracts will be awarded to the North East under the first phase of Project Gigabit, and County Durham will benefit from two of them. It was reported that the Teesdale contract had already been awarded and details of properties that would benefit would be available in quarter one, and the procurement for the broader area in the North East was expected to be awarded in the summer. She added that Government were keen to utilise contracts more and there may be opportunities for areas that were identified outside the contract area to be incorporated at a later date. Referring to the voucher scheme, it was noted that the scheme would be used in conjunction with contracts to provision coverage, and the increased voucher value was a more viable amount of funding to be able to provide for the harder-to-reach properties.

The Digital Durham Manager responded to a further query regarding the government voucher scheme and advised it could not be used to supplement satellite installation services, however DSIT were exploring alternative initiatives for very hard-to-reach properties and she would keep members updated on any further developments.

With regards to concerns raised in relation to elderly people with health issues, reaching rural communities, and the importance of having digital facilities in every community, the Digital Durham Manager advised that next steps involved further analysis, exploring facilities such as digital hubs and community centres and engaging with Town and Parish Councils and local organisations within communities who already have links with people most likely to be digitally excluded. Councillor K Shaw referred to Durham Key Options and added that the Housing Solutions Team and Social Housing providers offer IT assistance to support people who were digitally excluded.

Following a query from Councillor L Hovvells regarding work with NHS professionals around the digital agenda, the Digital Durham Manager informed that it was in the early stage of the process and meetings had been held with stakeholders within the health service to obtain a better understanding of work programmes and anticipated working together moving forward.

Resolved:

That the content of the report and presentation be noted.

8 Customer Feedback Report, Quarter Two, 2022/23

The Board considered a report of the Corporate Director Resources which provide an overview of information collected from the council's customers to

describe their experiences of using our services for quarter two, July to September 2022 (for copy see file of minutes).

The Head of Digital Services advised that the biggest challenge for residents, local businesses and the council was the cost-of-living crisis which has had a significant impact on service delivery and the demand received. She highlighted the key messages from the Customer Feedback Analysis under the three summary sections in the report, going well, areas which require attention and other areas to note.

Councillor E Adam queried the connection between the reduced staffing levels and complaints in relation to delayed responses, and if failing to achieve the Freedom of Information (FOI) response targets had any financial penalties. The Head of Digital Services advised there was no direct link to the delayed response and the reductions in staff, however resource capacity, recruitment challenges as well as the significant increase and complexity of demands received in key areas were contributing factors. Referring to the FOI response targets, she added that there were no financial implications and explained that this was another area with significant increasing demands nationally and regionally with many FOI request requiring very detailed responses which presented challenges.

Resolved:

That the content of the report be noted.

9 Quarter Two, 2022/23 - Performance Management Report

The Board considered a report of the Corporate Director Resources which presented an overview of progress towards achieving the key outcomes of the council's corporate performance framework and highlighted key messages to inform strategic priorities and work programmes for quarter two, July to September 2022 (for copy see file of minutes).

The Corporate Scrutiny and Strategy Manager advised that performance had already been reported via the thematic committees and highlighted key issues relating to:

- Recruitment and Retention;
- Sickness Absence;
- Performance Development Reviews (PDRs).

Resolved:

That the content of the report be noted.

10 Any Other Business

Request for the Cabinet Portfolio Holder for Resources to attend a future Corporate Overview and Scrutiny Management Board meeting

Councillor R Crute clarified his earlier point and explained that he suggested the Cabinet Portfolio Holder attend a meeting of the Board to present proposals to replace council tax and explain what progress had been made. He made reference to a previous motion at Council and clarified it was not a motion for the Board to consider.

Resolved:

That the Chair discuss the suggestion to attend a future meeting with the Cabinet Portfolio Holder for Resources and he would provide feedback to the Board.